



Staff Report

CONSIDERATION OF RESOLUTION OF BELMONT JOINT POWERS FINANCING AUTHORITY AUTHORIZING THE EXECUTION AND DELIVERY OF AN INDENTURE, AN INSTALLMENT PURCHASE AGREEMENT, A NOTICE OF SALE AND AN OFFICIAL STATEMENT AND AUTHORIZING CERTAIN RELATED MATTERS

Honorable Chair and Directors of the Board:

Summary

Approval of the attached resolution will authorize the Authority to issue bonds with a maximum principal amount of \$8 million, execute the Indenture and the Installment Purchase Agreement, and market the bonds through the delivery of a Notice of Sale and a Preliminary Official Statement.

This report should be considered a supplement to the staff report prepared on this topic at the January 10th meeting.

There is a companion action for this matter on the City Council agenda.

Background and Discussion

At the January 10th meeting of the Authority, the bond team presented to the Board a plan to issue sewer revenue bonds a principal amount of \$7.5 million (approximate) and a final maturity of 30 years for purposes of funding planned upgrades and capital improvements to the sewer and storm drainage systems. During the next three years, the City proposes to finance the construction and acquisition of improvements to the City's Sewer System including inflow and infiltration remediation and system upgrades.

At that same meeting, the Authority Board postponed the matter to allow for further review by members of the proposed capital improvements and the conclusions of the rate consultant engaged by the City to propose rates and charges for the sewer system.

The balance of this report will be devoted to updating the Board on these matters and recent developments since that meeting.

Capital Improvement Plans- The Public Works Department has analyzed the Five Year Capital Improvement Program for the sewer collection system and qualified storm drain projects that contribute to infiltration and inflow, aka I/I. Furthermore, staff has been provided with a five-year forecast of South Bayside System Authority's Capital Improvement Program needs. However, staff is of the understanding that SBSA has neither finalized their future capital plans nor have they settled on a funding plan. The information shown in the table below summarizes the available sources of funding and proposed uses for

the bond.

Sources		
Description		Amount
Proceed Balance from Series 2001 Issue		\$1,159,038
Less: Outstanding Commitments		-750,000
	Subtotal	409,038
Net Proceeds from New Series 2006 Issue		6,420,000
	Total Sources	\$6,829,038
Uses		
Description	Year	Amount
Sewer Projects		
Central, Sunnyslope, Sterling Downs, Homeview Rehab	FY05/06	\$950,000
Dairy Lane Trunk Line Rehab	FY05/06	350,000
Haskins&Hastings Pump Station Rehab	FY05/06	500,000
Country Club Rehab	FY 06/07	700,000
St James/Waltham Cross Rehab	FY 06/07	220,000
Island Park&Motel 6 Pump Station Rehab	FY 06/07	500,000
Cipriani, San Juan Rehab	FY 07/08	700,000
Skymont, Hallmark, Western Hills Rehab	FY 08/09	700,000
Sunnyslope, Central Rehab	FY 09/10	700,000
	Subtotal Sewer Projects	5,320,000
Storm Projects		
East Laural Creek Culvert Repair/Bank Stabilization	FY05/06	250,000
Hillman/North Road Rehab	FY 06/07	700,000
San Juan Pump Station-E. Laurel Creek Bank Stabilization	FY 06/07	220,000
Water Dog Lake Desiltation	FY 09/10	1,000,000
	Subtotal Sewer Projects	2,170,000
	Total Uses	\$7,490,000
	Difference	\$-660,962
Preliminary SBSA Capital Improvement Program – Funding Undetermined		
Per SBSA Funding Request – Specific Projects TBD	FY05/06	\$1,477,723
Per SBSA Funding Request – Specific Projects TBD	FY 06/07	1,901,809
Per SBSA Funding Request – Specific Projects TBD	FY 07/08	1,949,926
Per SBSA Funding Request – Specific Projects TBD	FY 08/09	2,056,841

Per SBSA Funding Request – Specific Projects TBD	FY 09/10	2,170,813
	Total Uses	\$9,557,112

Based on the table above, the remaining 2001 bond issue and the proposed bond seeking authorization provides funding estimated at \$6,829,038. Excluding the SBSA capital program, the Public Works Department contemplates planned capital needs of \$7,490,000. Therefore, there is a net deficit of \$660,962. There are a number of actions that can be taken to address the funding deficit, including project redesigns, project deferrals, additional future bonding, etc.

In order to provide the Authority Board with a further understanding of the capital projects contemplated with this bond financing, the following explanations are provided:

1. Belmont's Sewer Collection System

Belmont's sanitary sewer collection system consists of a network of over 400,000 feet (78 miles) of sewer pipe, 1500 manholes, and eleven pump stations serving virtually every residence and business within the City. Downtown neighborhoods (Sunnyslope, Homeview, and parts of Central and Sterling Downs) were sewered by the early 1900s. The County Club Estates subdivisions in north central Belmont were sewered in the late 1920s, while the San Juan Canyon was not fully sewered until the late 1950s when the San Juan Pump Station was constructed. Belmont's newest developments in the Hallmark and Western Hills neighborhoods were largely constructed in the 1960s.

Well-built sewers, installed in stable soils and adequately maintained, have service lives of 50 to 100 years. Belmont's original components range in age from 40 to 100 years and are reaching the end of their service life. Brittle clay sewer pipes crack and collapse and the joints are offset by earth movement and tree root intrusion. Mechanical and electrical components in the pump stations wear out. The system design capacity becomes overtaxed by the cumulative addition of service connections and excessive infiltration of groundwater through cracks and inflow of rainwater (I/I). At this point, the system needs rehabilitation if it is to continue to provide adequate service.

2. Belmont's Sanitary Sewer Rehabilitation Program

The Public Works Department began a systematic program to inspect and rehabilitate the sanitary sewer collection system in 1992. The purpose of the program is to cost-effectively maintain system performance and extend the service life of the City's sewer system. The program is designed to:

1. Improve the performance and reliability of the system,
2. Reduce ongoing maintenance costs,
3. Reduce groundwater infiltration and stormwater inflow (I/I),
4. Provide adequate capacity to reduce incidents of overflow,
5. Maintain the value and extend the service life of this publicly owned asset, and
6. Comply with current and anticipated future public health and environmental regulations.

The rehabilitation process consists of the following steps:

1. Clearing and cleaning to remove blockages including tree roots and other debris.
 2. Video inspection locate cracks, breaks, and other defects in sewer pipes.
 3. Smoke testing to identify unpermitted cross-connection of roof leaders and storm drains.
 4. Condition and capacity assessments to identify components needing repair, replacement, and/or upsizing.
 5. Rehabilitation design to cluster the failures and defects into rehabilitation projects according to the appropriate technology.
3. Standard sewer rehabilitation technologies include pipelining and pipebursting. Pipelining adds a structural plastic or resin-fiber liner inside the original clay pipe to restore strength and capacity. Pipebursting uses a ram to break out old clay pipe while simultaneously pulling in a new HDPE sewer pipe. Pipelining and pipe bursting are less expensive and disruptive to pavement surfaces and traffic than open trench installation. Pipelining costs average \$50 per foot and pipebursting averages \$65 per foot. This compares to \$120 per foot for new sewer installation or reconstruction.
4. Status of the Sewer Rehabilitation Program

The sewer rehabilitation program capital improvements are being implemented in three phases. The first two phases address work identified in the 1980 Master Plan and 1992 capacity and I/I study. The third phase will address improvements identified by the new master plans to be completed this Spring.

The first phase, which ran from 1992 to 2005, was targeted to fix the worst failures in each neighborhood or drainage basin area. Approximately 150,000 feet (about one third) of the collection lines were lined or replaced and the three oldest pump stations were overhauled and upsized. This work has essentially depleted the proceeds of the first bond sale (remaining uncommitted balance of ~\$300,000.

Public Works is now ready to start the second phase of sewer rehabilitation. Included in this work are known storm drain failures that contribute to the sewer I/I. The estimated cost of this second phase of work is \$4,620,000.

FY 06 Capital Sewer and Storm Drain Rehabilitation Projects

1. CCN 472 – Pipelining Central, Sunnyslope, Sterling Downs and Homeview Neighborhoods. Project includes lining 10,500 feet of 6”, 8” and 10” sewer. It is designed and ready to bid upon Council approval. The engineers estimate for this project is \$950,000.
2. CCN 474 – Dairy Lane Trunk Sewer Rehabilitation. Pipelining to rehabilitate crown corrosion in 1,120 linear feet of 27-inch concrete trunk line. Project is designed and ready to bid upon Council approval. The engineers estimate for this project is \$350,000.

3. CCN 467 Rehabilitation of Sewer Pump Stations at Hastings Drive and Haskins Drive. Project to install new pumps, upgraded electrical system. The project will be ready for construction in Spring 2006. Approximate engineering estimate is \$500,000

FY07 Capital Sewer and Storm Drain Rehabilitation Projects

1. Rehabilitation of County Club Neighborhood Sewers (Basins 7&8). DPW video crews inspected these sewers in 2005 and engineering staff are preparing design projects. Project scheduled for construction in Fall 2006. Planning estimate is \$700,000.
2. San Juan Pump Station Creek Bank Stabilization. Project to stabilize eroding creek bank near pump station. Project is designed and is ready to bid pending environmental permits and Council approval. Approximate engineers estimate is \$220,000.
3. Rehabilitation of Sewer Pump Stations at Island Park and Motel 6. Project includes installing new pumps, control cabinet, control panel, check valves, transducer, mixer, and upgrades to the wet wells. Planning estimate for design and construction is \$500,000.
4. Hillman/North Road Storm Drain Rehabilitation. Failed and incomplete drainage allowing storm water to inflow

FY08 Capital Sewer and Storm Drain Rehabilitation Projects

1. Rehabilitation of Cipriani Neighborhood and San Juan Canyon Sewers (Basins 10, 13&15). DPW video crew scheduled to inspect these sewers in Fall 2006 and engineering staff will prepare preparing design projects in Spring 2007. Projects scheduled for construction Fall 2007. Approximate engineering estimate is \$700,000.

FY09 Capital Sewer and Storm Drain Rehabilitation Projects

1. Rehabilitation of Skymont, Hallmark, and Western Hills Neighborhood Sewers (Basins 9, 11, 12, 13&15). DPW video crew scheduled to inspect these sewers in Summer 2007 and engineering staff will prepare design projects in Spring 2007. Project scheduled for construction in Fall 2008. Approximate engineering estimate is \$700,000.

FY10 Capital Sewer and Storm Drain Rehabilitation Projects

1. Rehabilitation of Sunnyslope and Central Neighborhood Sewers (Basins 4, 5&6). DPW video crew scheduled to inspect these sewers in Summer 2008 and engineering staff will prepare design projects in Spring 2009. Project scheduled for construction in Fall 2009. Approximate engineering estimate is \$700,000.

Public Works anticipates the need for a third phase of work, but the specific scope and content has not yet been defined. The City has two environmental consultants under contract preparing master plans for the sewer system and the storm drain system. The consultants are collecting and analyzing data at this time and have committed to completing the plans by late Spring 2006. Staff anticipates that the master plans will identify sewer segments that are under capacity or

missing and will recommend the additional work needed to improve the capacity and performance of these systems.

5. South Bayside System Authority Capital Improvement Program

The City of Belmont is a member of the South Bayside System Authority (SBSA) and is part owner of the sewage treatment plant. In accordance with the Joint Power Agreement, the City contributes a proportionate share of the plant capital improvement funds each year. In December 2005, the SBSA Commission approved a 10-year, \$170 million capital improvement program plan. Belmont's share is \$19 million over 10 years, or approximately \$2 million per year.

Sewer Rates- The following information is provided to clarify the City's actions regarding sewer rates.

- Last June, City Council adopted sewer rates for the FY 05/06 year. Those rates currently in effect are:

	Monthly Fee Per Unit	Minimum Annual Fee (1)	
Low strength:			
Residential - including, but not limited to:		101.51	Units
Single family dwelling, Duplex and multiple family dwellings	\$4.40	50%	
apartments (per unit) and flats		\$223.32	
Retail/Commercial - including, but not limited to:		101.51	Units
Motels/Hotels, Commercial houses, Office buildings, Car		50%	
washes, laundromats, Restaurant (with food prepared off	\$4.40	\$223.32	
the premises), and Food markets (with foods prepared off			
the premises)			
Institutional/Public Authorities - including, but not limited to:		101.51	Units
Nursing homes, Retirement homes, Sanitariums	\$4.40	50%	
Government institutions, and schools		\$223.32	
Industrial (with permitted pretreatment facilities)		101.51	Units
	\$4.40	50%	
		\$223.32	
High strength:			
Restaurants (foods prepared on premises)		767.59	Units
	\$7.49	50%	
		\$2,874.62	
Supermarkets (with grinders)		1,786.89	Units
	\$7.49	50%	
		\$6,691.90	

Approval of the resolutions attached to this report does not set sewer fees. Those fees are

considered annually as part of the budget deliberation process and are based on a comprehensive rate review performed by a specialized consultant's with expertise in this field.

- The rate increase authorized by the City Council in June was 16%. The consultant's provided the Authority Board with a schedule identifying a 19.9% figure leading to confusion over how much of a rate increase was approved. The correct answer is 16%. The consultant's schedule was showing the percentage increase in sewer service charges between the amounts collected in the prior year as compared to the amount budgeted in the current year. The values are not comparable.
- The Authority Board may find value in reviewing the rate report prepared last June by the consultant's. That report identified a projected deficit without rate increases beginning in FY 06/07. Staff has attached that report for reference purposes.

The Authority Board may also be interested in knowing the following details regarding sewer rates:

- Sewer service charges are based on actual usage as measured by water metered flow data provided by Mid Peninsula Water District during the winter months of December through March. The usage is multiplied by the rates above to determine the service charge.
- The service charge is not a tax. However, for administrative convenience, the City bills and collects the service charge through the County Controller's Office property tax system.
- According to the Government Finance Officers Association's Research Bulletin on *Evaluating Alternative Revenue Sources*, "City User charges should be set at levels that will allow a local government to recover the costs of providing a service, including: direct labor costs, supervisory and administrative costs, supplies and materials costs, and appropriate indirect costs. By setting user charge rates in such a way, the unintentional subsidization of services with tax revenues can be avoided."
- According to the latest data published by the State of California State Water Resources Control Board (FY 04/05), Belmont's rates of \$36 per month were near the mid level compared to our San Mateo County counterparts. High was \$51, low was \$21 and the average was \$28 per month. The state does not provide any details on the condition of the sewer system.

Recent Developments- On January 11, 2006 Fitch Ratings assigned their rating of "A" to the proposed issue, and indicated a "positive outlook" for the financial condition of the City's sewer fund. On January 12, 2006, Moody's Investors' Service assigned their rating of "A2" to the proposed issue, and upgraded their rating on the City's outstanding debt of the sewer fund from "A3" to "A2." According to Fitch, the assigned rating reflects the system's essential service and strong collection safeguards, diverse customer base and healthy underlying economy, and the city's independent rate-setting authority. The rating also reflects the city's reliance on debt for the majority of its capital plan and the need for regular and substantial rate increases to complete its capital plan and maintain coverage levels. Moody's rating assignment cites "prudent rate increases" as the primary force for maintaining debt service coverage levels at sound levels.

Revised Documents- Included with this staff report is a revised resolution authorizing the bonds as

prepared by Stradling Yocca Carlson & Rauth, bond and disclosure counsel. Furthermore, Fieldman, Rolapp & Associates, financial advisor, has prepared a new Notice of sale reflecting the current calendar of events. The balance of the documents prepared by the finance team, including the Installment Purchase Agreement, Indenture and Preliminary Official Statement, remain unchanged from the materials included in the Authority Board's January 10th packet. Those materials have not been reproduced due to their size and staff recommends the Authority Board bring those materials to the meeting should they determine it necessary.

The revised calendar now calls for the City and the Authority intention to sell the bonds by competitive sale on February 15, 2006. With that sale date, the City and the Authority will receive proceeds of the bonds on March 2, 2006.

Lastly, the Resolutions authorize officials of the City and the Authority to sell the bonds at competitive sale, so long as the principal amount does not exceed \$8 million and the true interest cost on the bonds does not exceed 7%. The bonds currently are sized to have a principal amount of \$7.5 million and the true interest cost is expected to be less than 6%.

Fiscal Impact

Based on preliminary analysis, the cost of the sewer and storm drain capital improvements is approximately \$6.4 million. Assuming a \$7.5 million bond issue, issuance costs will be approximately \$275,000, including underwriter's discount. With a debt service reserve fund of \$480,000 and approximately \$325,000 of capitalized interest (through February 1, 2007), the net amount is approximately \$6,420,000. The financial advisor's estimate of annual debt service is approximately \$475,000 per year for the 30 year term. These amounts are consistent with the FY 2006 Budget assumptions.

Public Contact

The matter has been noticed through posting of the Authority agenda.

Recommendation

Adopt the Finance Commission and City Treasurer's recommendation. Approve resolution authorizing the bond issue.

Alternatives

1. With direction, refer the matter back to the Finance Commission for further study.

Attachments

- A. Resolution of Belmont Joint Powers Financing Authority Authorizing the Execution and Delivery of an Indenture, an Installment Purchase Agreement, a Notice of Sale and an Official Statement and Authorizing Certain Related Matters
- B. Rate Consultant's Sewer/Stormwater Sewer Rate Update – FY 2005-06

Respectfully submitted,

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RESOLUTION NO.

RESOLUTION OF THE JOINT POWERS FINANCING AUTHORITY OF THE CITY OF BELMONT AUTHORIZING THE EXECUTION AND DELIVERY OF AN INDENTURE, AN INSTALLMENT PURCHASE AGREEMENT, A NOTICE OF SALE AND AN OFFICIAL STATEMENT AND AUTHORIZING CERTAIN RELATED MATTERS

WHEREAS, the Belmont Joint Powers Financing Authority (the “Authority”) is a joint exercise of powers authority duly organized and existing under the laws of the State of California and is authorized pursuant to the Law to enter into an installment purchase agreement for the purpose of financing the acquisition and construction of sewer system improvements; and,

WHEREAS, the Authority has previously issued \$7,500,000 Belmont Joint Powers Authority Sewer Revenue Bonds, Series 2001 (the “2001 Bonds”) to finance certain sewer system improvements; and,

WHEREAS, the City of Belmont, a municipal corporation organized and existing under the laws of the State of California (the “City”), desires the Authority to issue its Sewer Revenue Bonds, Series 2006 (the “Bonds”) to provide for the financing of additional sewer system improvements (the “Project”); and,

WHEREAS, the Authority desires to enter into an Indenture (the “Indenture”), by and between the Authority and The Bank of New York Trust Company, N.A., as trustee (the “Trustee”), in order to provide for the terms and conditions of its Bonds; and,

WHEREAS, the Authority desires to enter into the Installment Purchase Agreement (the “Installment Purchase Agreement”), by and between the Authority and the City, in order to provide for the financing of the Project; and,

WHEREAS, under the terms and conditions of the Indenture and Installment Purchase Agreement, the Bonds will be issued as Parity Debt (as defined in the Installment Purchase Agreement) to the 2001 Bonds; and,

WHEREAS, the City has found that the financing of the Project results in significant public health benefits, including but not limited to more efficient delivery of sewer services; and,

WHEREAS, the Authority will assign its right to receive the Installment Payments under the Installment Purchase Agreement to the Trustee; and,

WHEREAS, pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the “Code”), under certain circumstances, certain obligations the interest on which is exempt from federal income tax under Section 103 of the Code may be designated by the issuer thereof as “qualified tax-exempt obligations,” thereby allowing certain financial institutions that are holders of such qualified tax-exempt obligations to deduct for federal income tax purposes a

portion of such institution's interest expense that is allocable to such qualified tax exempt obligations, all as determined in accordance with Sections 265 and 291 of the Code; and

WHEREAS, this governing board of the Authority (the "Governing Board") wishes to designate the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code; and,

WHEREAS, in order to authorize the execution of the Installment Purchase Agreement and the preparation of an Official Statement relating to the Bonds (the "Official Statement") and to provide for certain related matters, the Governing Board deems it in the best interests of the Authority to adopt this Resolution (the "Resolution");

NOW, THEREFORE, BE IT RESOLVED that the Joint Powers Financing Authority of the City of Belmont authorizes the following:

Section 1. Authorization of Bonds. The Bonds of the Authority designated as the "Belmont Joint Powers Financing Authority Sewer Revenue Bonds, Series 2006" in an aggregate principal amount not to exceed \$8,000,000 are hereby authorized to be issued.

Section 2. Authorization of Indenture. The Indenture related to the Bonds is hereby approved. The President, Vice President, Executive Director, Secretary, Chair, Vice Chair and Controller of the Authority or their designees (collectively, the "Authorized Officers") are hereby authorized and directed, for and on behalf of the Authority, to execute and deliver to said Trustee the Indenture, in substantially the form as is on file with the Secretary of this Governing Board (the "Secretary"), with such changes therein as such Authorized Officers may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof. The date, maturity date, method of calculating the interest rate or rates, interest payment dates, denominations, forms, restrictions, privileges, place or places of payment, terms of redemption and other terms of the Bonds shall be provided in said Indenture, as finally executed.

Section 3. Execution of the Installment Purchase Agreement and the Notice of Sale. The Authorized Officers are hereby authorized and directed to execute for and on behalf of the Authority the Installment Purchase Agreement, in the form filed with Secretary, with such changes therein as the Authorized Officers shall approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Invitation for bids for the purchase of the Bonds is hereby authorized, such invitation to be substantially in accordance with the Notice of Sale attached hereto as Exhibit A and by this reference incorporated herein (the "Notice of Sale"). The Notice of Sale attached hereto as Exhibit A and by this reference incorporated herein is hereby approved.

Section 4. Publication of Notice of Intention to Sell Bonds. The Executive Director and the Secretary each are hereby directed to execute a Notice of Intention to Sell Bonds and to cause the Notice of Intention to be published (a) once a week for two successive weeks prior to the date

set to receive bids in a newspaper published and of general circulation in the City and (b) once at least fifteen (15) days prior to the date set to receive bids in The Bond Buyer.

Section 5. Terms and Conditions of Sale. The terms and conditions of the offering and the sale of the Bonds shall be as specified in the Notice of Sale. The Governing Board shall award the sale of the Bonds by acceptance by the Executive Director or the Secretary of the bid with the lowest true interest cost so long as the principal amount of Certificates does not exceed \$8,000,000 and the true interest cost does not exceed 7% per annum.

Section 6. Furnishing of Notice of Sale and Official Statement. The Authority and the financial advisor are hereby authorized and directed to cause to be furnished to prospective bidders a reasonable number of copies of the Notice of Sale and a reasonable number of copies of the Official Statement.

Section 7. General Authorization. The financial advisor and/or bond counsel are hereby authorized and directed to open the bids at the time and place specified in the Notice of Sale and to present the same to the Authority. The financial advisor and/or bond counsel are hereby authorized and directed to receive and record the receipt of all bids made pursuant to the Notice of Sale, to cause said bids to be examined for compliance with the Notice of Sale, to cause computations to be made as to which bidder has bid the lowest true interest cost, as provided in the Notice of Sale, along with a report as to the foregoing and any other matters deemed pertinent to the award of the Bonds and the proceedings for the execution thereof.

Section 8. Authorization of Preliminary Official Statement, Execution of Final Official Statement, Execution of Continuing Disclosure Certificate. The Authority hereby approves the Preliminary Official Statement (the "Preliminary Official Statement") relating to the Bonds substantially in the form on file with the Authority. The Authorized Officers are hereby authorized to certify that said Preliminary Official Statement, is as of its date "deemed final" for purposes of Rule 15c2-12 of the Securities and Exchange Commission. The Authorized Officers are hereby authorized and directed to execute for and on behalf of the Authority a final Official Statement, in substantially the form of the Preliminary Official Statement, with such changes therein (and additions thereto to reflect the terms of the sale of the Bonds) as the Authorized Officers shall approve, such approval to be conclusively evidenced by the execution and delivery thereof.

The Authorized Officers are hereby authorized and directed to execute for and on behalf of the Authority a Continuing Disclosure Certificate, in the form filed with the minutes of this meeting, with such changes therein as the Authorized Officers shall approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 9. Other Actions Authorized. The Authorized Officers and such other proper officers of the Authority are hereby authorized to take all actions and execute any and all documents described in this Resolution and otherwise necessary or desirable to effect the execution and delivery of the Installment Purchase Agreement and the Indenture and to make any

changes to the forms of the legal documents approved in this Resolution as necessary or desirable to comply with the terms of municipal bond insurance; to change the dates and the percentages in the rate covenant and additional debt test contained in any documents approved at this meeting from the dates and percentages on the forms submitted to this meeting; and to do any and all things and to execute and deliver any and all documents which they may deem necessary or advisable in order to consummate the execution and delivery of the Installment Purchase Agreement and the Indenture and otherwise to carry out, give effect to and comply with the terms and intent of this Resolution, the Installment Purchase Agreement, the Indenture, the Preliminary Official Statement, the Official Statement and the Continuing Disclosure Certificate. Such actions heretofore taken by such officers are hereby ratified, confirmed and approved.

Section 10. Designation as Qualified Tax-Exempt Obligation. Based on the following representations of the Authority, the Bonds are hereby designated as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code: (i) the Bonds are not private activity bonds within the meaning of Section 141 of the Code; (ii) the Authority, together with all of its subordinate entities, has not issued obligations (other than those obligations described in clause (iv) below) in calendar year 2006 the interest on which is excluded from gross income for federal income tax purposes under Section 103 of the Code; (iii) the Authority reasonably anticipates that it, together with its subordinate entities, will issue during the remainder of calendar year 2006 obligations (other than those obligations described in clause (iv) below) the interest on which is excluded from gross income for federal income tax purposes under to Section 103 of the Code which, when aggregated with all obligations described in clause (ii) above, will not exceed an aggregate principal amount of \$10,000,000; (iv) and notwithstanding clauses (ii) and (iii) above, the Authority and its subordinate entities may have issued in calendar year 2006 and may continue to issue during the remainder of calendar year 2006 private activity bonds other than qualified 501(c)(3) bonds as defined in Section 145 of the Code.

Section 11. Action Regarding Qualified Tax-Exempt Obligation. Appropriate officials of the Authority are hereby authorized and directed to take such other actions as may be necessary to designate the Bonds as “qualified tax-exempt obligations,” including, if either deemed necessary or appropriate, placing a legend to such effect on the form of Bonds in such form as either deemed necessary or appropriate.

* * * * *

I hereby certify that the foregoing Resolution was duly and regularly passed and adopted by the Joint Powers Financing Authority of the City of Belmont at a regular meeting thereof held on January 24, 2006 by the following vote:

AYES, BOARDMEMBERS: _____

NOES, BOARDMEMBERS: _____

ABSTAIN, BOARDMEMBERS: _____

ABSENT, BOARDMEMBERS: _____

SECRETARY of the Belmont Joint Powers
Financing Authority

APPROVED:

CHAIRPERSON of the Belmont Joint Powers
Financing Authority